

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

December 2 NSC Meeting

FROM:

Maurice C. Ernst
NIO/Economics

EXTENSION

NO.

NIC #8677-83

DATE

1 December 1983

TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

NIC #8677-83
1 December 1983

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Maurice C. Ernst, NIO for Economics

SUBJECT: December 2 NSC Meeting

1. Two questions will be presented for decision at the December 2 NSC meeting: (1) [redacted] (2) whether to change the basis for unilateral US controls on exports of oil and gas equipment and technology to the USSR from foreign policy to national security.

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US Controls on Exports of Oil and Gas Equipment to the USSR

5. The US has proposed for COCOM control a list of 21 items of oil and gas equipment and technology. The justification for COCOM controls is that these items have significant actual or potential military uses by the USSR. The proposal has been under review by the ad hoc committee of COCOM, which will meet again in January. The COCOM review process will take at least several more months.

6. The items proposed for COCOM control are currently under unilateral US national policy controls. Some applications for licenses of controlled items have been approved. DOD would like to put these items under unilateral national security controls, at least pending a final decision in COCOM. The issues in this case are more bureaucratic than substantive, but feelings are running high. There are all kinds of cross-currents, some of which are difficult to fathom.

7. The attached memo on the issue, prepared by Commerce, gives useful background, but does not present the arguments for or against the proposed change in unilateral controls in a coherent manner. As I understand it, the main issues are the following:

- (1) Whether the change to national security controls would increase or reduce the chances of COCOM approval of the items? -- It would probably make little difference. The proposed change would underline the seriousness of the US proposals, and would make US unilateral criteria more consistent with our COCOM presentation. Some in State argue, however, that our Allies would react adversely because of concern that denial of US licenses would lead to new extraterritorial hassles.
- (2) Whether the proposed change would enhance or reduce US flexibility in its own trade policy vis-a-vis the USSR? -- Foreign policy controls are almost certainly more flexible, but they are also less well understood, and consequently are more subject to misunderstandings.

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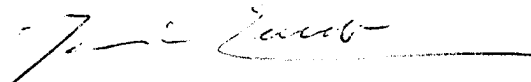
- (3) Whether or not the proposed change would adversely affect US business interests to the advantage of our Allies? -- It seems clear that the shift to national security controls would mean the denial of most license applications for these categories at least until the COCOM review process is completed. This would hurt US firms, although perhaps not much if items not approved by COCOM and readily available outside the US were subsequently dropped from the list.

My personal impression is that what matters most is what kind of signal the US Government tries to give about its trade policy vis-a-vis the USSR and the way this will involve our Allies.

8. Besides these substantive issues, there is great concern over who controls the export control decisions (whether DOD or State) and much heat over the way the 13 September ACEP meeting, chaired by Larry Brady, was run. At that meeting, Defense, Energy, and State representatives agreed on a change to national security controls. Subsequently, State strongly reversed its stand, and accused Brady of "railroading" the proposal.

9. The list of items in question is the result of a serious attempt by analysts from CIA, Commerce, and DOD, to identify items with substantial military uses. Close relations of many of the items (e.g., navigational and acoustic equipment, deep submersible pumps) already are on the COCOM list. Other items (drilling rigs, well logging equipment) have less direct and obvious military uses, and may be harder for COCOM to accept. Earlier attempts to present a much larger list, which required economic as well as military criteria, were rejected by other COCOM countries, who insisted on using established COCOM criteria. There is no question that imports of Western oil equipment and technology will be of increasing importance to Soviet oil development of the next decade and beyond, especially in deep off-shore areas. Unfortunately, our Allies have shown no sign whatever of being willing to use this potential lever of influence.

10. You should also be aware that the NSC has asked the DDI to prepare a study on Soviet imports of strategic oil and gas equipment. SOVA expects to complete this study by December 16th.



Maurice C. Ernst

Attachments,
As stated

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